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9 September 1953

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Copy No. 67

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CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. **67**
NO CHANGE IN CLASS.
1st DECLASSIFIED
CLASS. CHANGED TO: TS S C **2001**
NEXT REVIEW DATE:
AUTH: HR 70-2
DATE **12-21-78** REVIEWER:

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ARMY and DOS review(s) completed.

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GENERAL

1. Molotov again seeks French support on German rearmament question:

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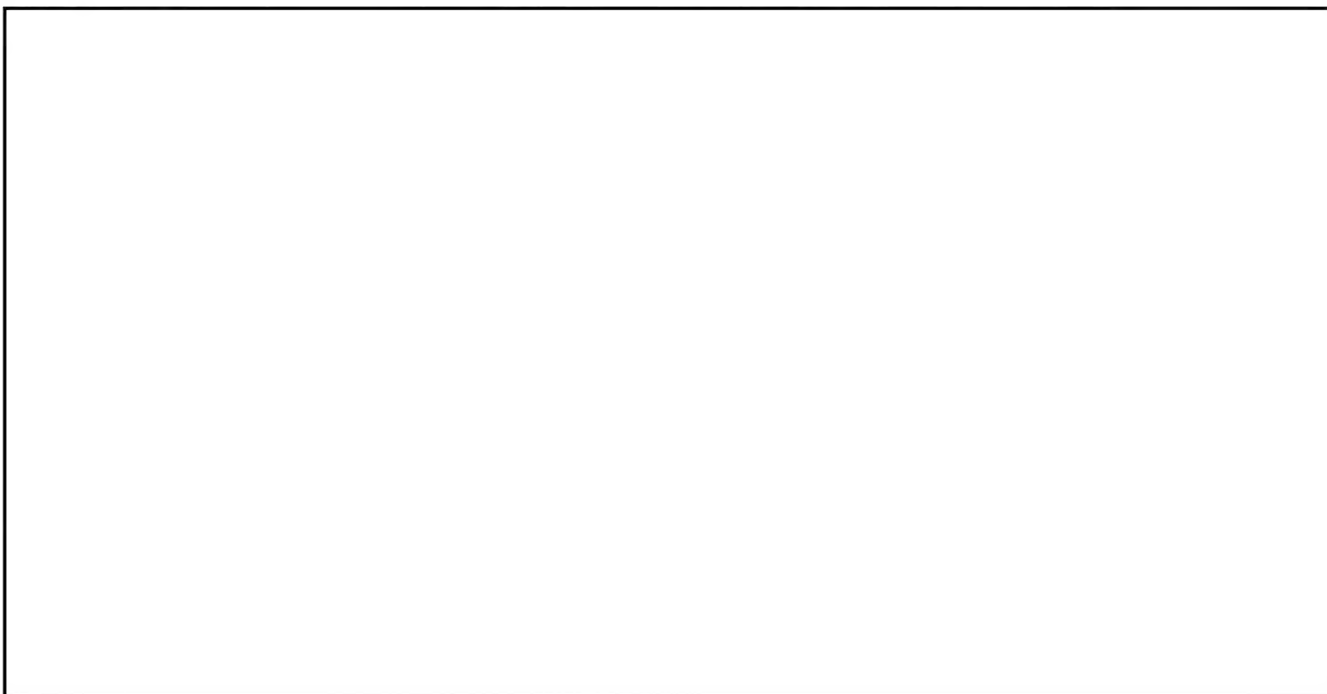


Ambassador Bohlen has reported another attempt by Foreign Minister Molotov, in a 2 September interview with French ambassador Joxe, to win French support for the Soviet policy of opposition to German rearmament. Molotov expressed the fear that Germany would break out of "the shell of EDC" and embark on a militaristic course. He stated that the Soviet Union was primarily interested in safeguarding itself from Germany and preventing German rearmament.

Joxe reiterated the French position that the German problem was not one to be discussed by France and the USSR alone, and that there was no possibility of dividing the Allies on this question.

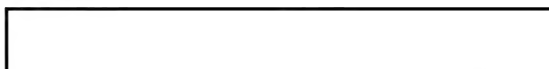
Comment: Both Molotov and Soviet ambassador Vinogradov in Paris have approached Joxe during the last two months with similar arguments on the German problem.

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6. French postpone fall offensive plans in Indochina:

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The 1 September progress report on the Navarre plan from the chief of the Military Assistance Advisory Group in Saigon states that the French are now planning to counterattack in the event of a Viet Minh attack on the delta in late September or early October. If the Viet Minh does not attack in the delta, the French will undertake a diversionary action against enemy forces north of that area.

Comment: This planning differs from the original Navarre program, which called for an "offensive to forestall the enemy attack."

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7. Burma denies Peiping pressure for settling Chinese Nationalist problem:

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The Burmese foreign minister has informed the American ambassador that the Chinese Communist attitude toward the presence of Nationalist troops in Burma is one of "dis-

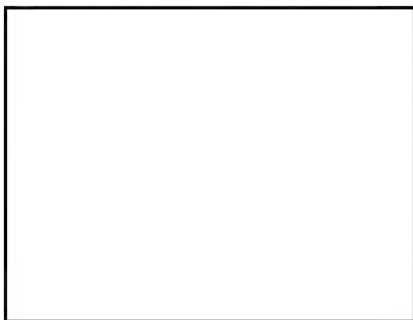
interested correctness" and that his government has not been pressed to expedite their removal. The minister admitted, however, that he had fully explained to Peiping his government's proposed courses of action, including its pending appeal to the United Nations.

Comment: Such forbearance would create confidence among the Burmese and might encourage them to approach Peiping for aid in settling the Nationalist problem if other methods fail. This course is known to be under consideration by some influential Burmese leaders.

NEAR EAST - AFRICA

8. Shah and Zahedi reportedly disagree over control of Iranian army:

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Ambassador Henderson reported on 7 September that the shah's insistence that he, not the prime minister, should control the Iranian armed forces has led to disagreement between the two. The difference apparently arose when Zahedi opposed the shah's plan to appoint Deputy Minister Vosuq as minister of national defense.

Zahedi allegedly said that as long as he is prime minister, orders to the armed forces would come through him.

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Comment: Dispute over control of the armed forces, constitutionally vested in the crown, was a major cause of the break between former prime minister Mossadeq and the shah.

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Although an open rift is not expected at this time, disagreements between the shah and Zahedi, whom the monarch does not fully trust, will probably increase.

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10. Anglo-Egyptian talks on Suez base seem headed for deadlock:

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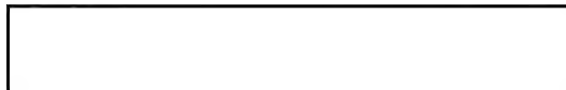


Egyptian vice premier Nasr has indicated to Caffery that he would accept an agreement with Britain which allowed one year for the British to evacuate troops from the Suez base in addition to a five-year agreement covering base operations. He also agreed to modify his position on the procedure for gradually reducing the number of technicians at the base. Nasr emphasized that these concessions were "his last word."

An official of the British embassy in Cairo, on the other hand, believes Anglo-Egyptian talks are "still in a poker-game stage" and that the offer of a five-year duration will be lengthened if Britain stands firm. The British embassy also discounts Nasr's statement that political opposition makes it impossible for the Egyptian military regime to accept a longer agreement.

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Comment: The position as outlined by the British official would support an intention to remain adamant on a duration period of ten years for the agreement.

There is no indication, however, that the Egyptian military regime is willing to go much beyond its present position.

WESTERN EUROPE

11. Rome government seeks Italian de facto "occupation" of Zone A of Trieste:

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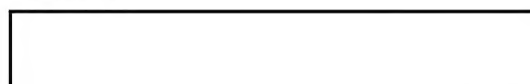


According to a high official of the Rome Foreign Ministry, a de facto occupation of Zone A of the Free Territory of Trieste by Italian forces on the same terms as Yugoslavia's present "occupation" of Zone B would satisfy Italian public opinion. Such a move, he told Ambassador Luce, would also strengthen the Rome government, pave the way for Tito-Pella negotiations, and enable Premier Pella to continue pro-NATO policies when parliament reconvenes on 22 September.

The Foreign Ministry official believes that Pella would order the withdrawal of the troops dispatched to the vicinity of the Yugoslav border if he were assured of the West's immediate acceptance of his plan. He stated that otherwise Pella would probably resign or be defeated on a vote of confidence, either of which might result in Italy's withdrawal from NATO and an increase in neutralist and extreme rightist influence.

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